



Highlands & Islands Global connections survey 2002

Introduction

This economic factsheet provides manufacturing and exports results for the Highlands & Islands from the Scottish Global Connections Survey (2002). The survey is the first in a new series being conducted by the Scottish Executive. It provides detailed information for the first time on the value and destination of exports at LEC level and by sector. It was carried out in summer 2003 in order to provide information on the value and destination of exports in 2002. Highlights from the survey are given below, followed by a more in-depth analysis of the results. References to specific companies have been derived from local experts and are not taken from the survey data, which is treated as commercial and in confidence.

Key export facts

- Total export value from Highlands & Islands was £1,034 million, some 5% of total export value from Scotland (£19,250 million)*.
- The food & drink manufacturing sector accounted for 45% of total export value (£470 million).
- Primary sector and service exports accounted for a greater proportion of total export value (6% and 24% respectively), compared to Scotland (1% and 21% respectively).
- Exports from large companies accounted for the largest proportion of total export value (57%), although this is a lesser proportion than that in Scotland (68%).
- The top 5 exporting destinations by value were; the USA, Germany, France, Spain and Eire.
- The majority of the value of primary and service sector exports was destined for the EU (£41 million and £144 million respectively), whereas the majority of the value of production & construction exports was destined for outside the EU (£396 million).

* Scotland export values based on revised export results.

Export value by sector

Table 1 shows the exporting sectors in Highlands & Islands by export value.

Table 1 – Export value by sector, 2002

| | Exporting sectors | Export value (£ million) |
|---|--|--------------------------|
| 1 | Manufacture of food & drink | 470 |
| 2 | Manufacture of chemicals & chemical products | 173* |
| 5 | Manufacture of fabricated metal products | |
| 3 | Hotels & restaurants | 67 |
| 4 | Fishing, operation of fish farms & incidental services | 50 |

* Values grouped to avoid disclosure of information commercial in confidence.

Table 1 highlights the importance of the food & drink manufacturing sector to Highlands & Islands, which accounted for at least £470 million of export value. This is likely to be influenced by the prevalence of whisky production in the area, in addition to a number of large food manufacturers. Whisky production is concentrated in Islay and Speyside, although there are many other distilleries throughout the area. Food manufacture is concentrated in Moray, with Baxters and Walkers being significant exporters. In addition, processed fish contributes to export value throughout the Highlands & Islands. The manufacture of chemicals & chemical products together with the manufacture of fabricated metal products contributes £173 million export value from the area. These sectors are dominated by Lifescan Scotland (formerly Inverness Medical), who manufacture pharmaceutical products and companies predominantly located in Easter Ross that have developed

international metal fabrication contracts through business related to North Sea oil, such as Isleburn MacKay & MacLeod and Umax. The prevalence of tourism related industries in the area was reflected in the export value attributed to hotels & restaurants (£67 million). For the most part the hotels & restaurants sector is made up of small independent companies scattered throughout the area. Fishing and fish farming accounted for a further £50 million of export value. Export value is mainly derived from rural coastal and island areas such as Skye, the Western Isles, Shetland and Argyll & the Islands.

Export value by broad industrial sector

Figure 1 shows the percentage of export value from Highlands & Islands by broad industrial sector, compared to Scotland.

Figure 1 – Export value by broad industry sector, 2002

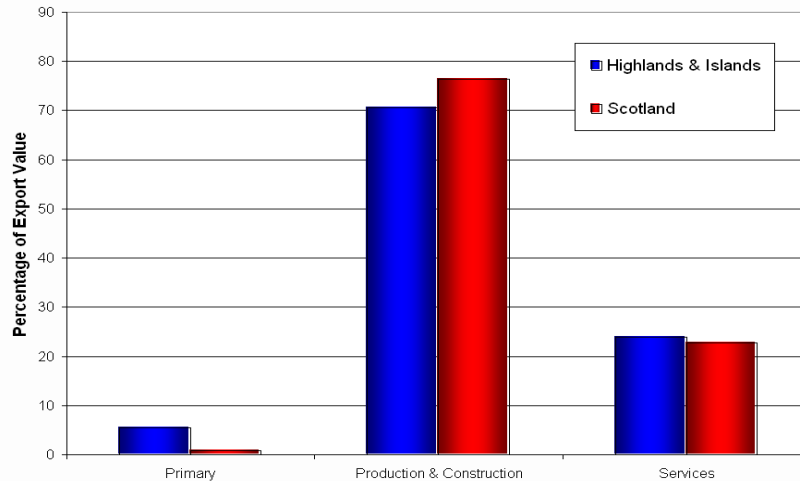


Figure 1 illustrates that the production and construction sector was responsible 71% of export value from the Highlands & Islands (£730 million), although this was still a lesser percentage than the sector represented in Scotland (78%). The size of the sector in the Highlands & Islands is largely influenced by high value whisky and food manufacturing exports. There was a greater percentage of export value from the service sector (24%) and primary sector (6%), compared to Scotland (21% and 1% respectively). This highlights the continuing importance of the primary sector in the Highlands & Islands, in addition to tourism generated trade.

Figure 2 – Broad industry sector export value by destination, 2002

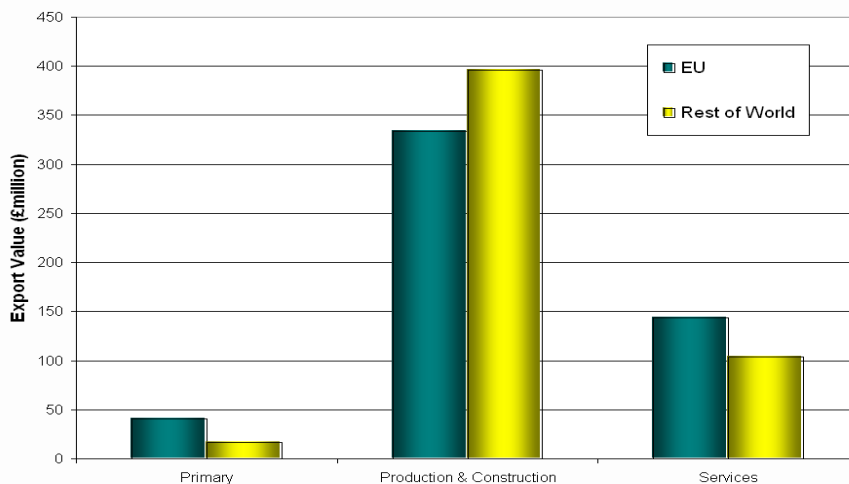


Figure 2 shows that the majority of export value from the primary sector (£41 million) and service sector (£144 million) was destined for the EU. In contrast, the majority of export value from the production & construction sector (£396 million) was destined for outside the EU. This largely reflects the strong demand for whisky from the area from countries outside the EU.

Export value by company size

Figure 3 highlights the percentage of total export value from Highlands & Islands by company size, compared to the Highlands & Islands.

Figure 3 – Export value by company size, 2002

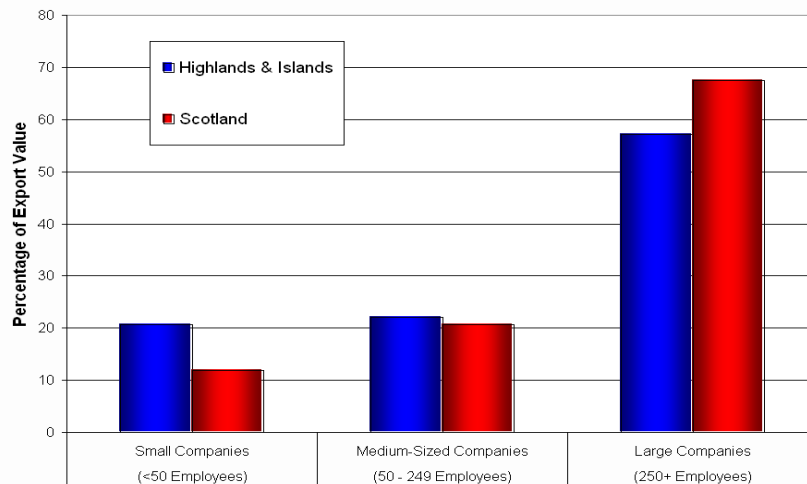


Figure 3 illustrates that large companies were responsible for 57% of export value from Highlands & Islands (£590 million), lesser than the percentage of export value from large companies in Scotland (68%). Large exporting companies in the area include Lifescan Scotland (formerly Inverness Medical), Baxters, Walkers and Isleburn MacKay & MacLeod. The percentage of export value from small (21%) and medium sized companies (22%) was greater than Scotland (11% and 21% respectively). This is influenced by the prevalence of small and medium sized enterprises in exporting sectors throughout the area, particularly in hotels & restaurants, fishing and the manufacture of food & drink.

Export value by market destination

Table 2 highlights the value of exports from Highlands & Islands to the top 5 market destinations.

Table 2 – Export value by market destination, 2002

| Top 5 Destinations | Export value (£ million) |
|--------------------|--------------------------|
| USA | 117 |
| Germany | 93 |
| France | 90 |
| Spain | 88 |
| Eire | 52 |

Table 2 shows that the top market destination by export value was the USA (£117million). The main exports to the USA include whisky and other manufactured products. The EU market provided the next four most valuable market destinations; Germany, France, Spain and Eire which together accounted for 31% of total export value (£323 million). These are all top market destinations for food & drink exports.

Summary

The value of exports from Highlands & Islands in 2002 was heavily influenced by manufacturing, in particular the manufacture of food & drink, chemicals and fabricated metal products. In line with the dominance of small and medium sized enterprises in the area, the value of exports from these firms was of a greater proportion than in Scotland. While the value of primary and service sector exports was most likely destined for the EU, the value of production & construction exports (including manufacturing exports) had a more global market. Overall, the USA provided the most valuable export market for companies in the area followed by Germany, France, Spain and Eire.

For further information on anything contained in this factsheet, or general economic enquiries, contact the Strategic Planning & Research Team:

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